

1 CERTAINLY WILL COME UP IN JUST A BIT. IF WE COULD, I
2 THINK IT MIGHT BE BEST IF YOU RESPOND AT THAT TIME AND
3 WE'LL GET INTO THAT FULLY IF THAT WILL BE ALL RIGHT.

4 A (MR. GILLAN) YES, MA'AM.

5 Q (MS. TAYLOR) IN FACT, I'M JUST GOING TO ASK TWO MORE
6 QUESTIONS THAT ARE A LITTLE DIFFERENT, THAT WERE SUGGESTED
7 TO THE COMMISSION, AND WE'LL FINISH UP ON THIS ISSUE.
8 WE'LL START WITH THE AT&T PANEL. IS THERE ANY DISTINCTION
9 BETWEEN THE COSTING METHODOLOGY USED TO SET UNBUNDLED LOOP
10 RATES IN THIS PROCEEDING AND THE COSTING METHODOLOGY THAT
11 SHOULD BE USED TO DETERMINE UNBUNDLED LOOP COSTS FOR
12 PURPOSES OF UNIVERSAL SERVICE ISSUES?

13 A (MR. GILLAN) I THINK THE ANSWER TO THAT IS NO, THERE
14 SHOULD BE NO DIFFERENCE. THE FORWARD LOOKING ECONOMIC
15 COSTS OF THESE FACILITIES IS THE RELEVANT MEASURE IN
16 EITHER SCENARIO.

17 Q (MS. TAYLOR) AND THE BELLSOUTH PANEL? OR, I'M SORRY,
18 IF YOU NEEDED TO FOLLOW UP.

19 A (MR. WOOD) I JUST WANTED TO SAY ONE THING. YES,
20 THE METHODOLOGY SHOULD BE THE SAME AND THE POINT BY THE
21 CONSUMER ADVOCATE YESTERDAY I THINK WAS WELL MADE; AND
22 THAT IS, WHEN YOU GET TO UNIVERSAL SERVICE CONSIDERATIONS,
23 YOU'RE GOING TO NEED AN UNDERSTANDING OF HOW THOSE COSTS
24 ARE DIFFERENT IN DIFFERENT PARTS OF THE STATE. IT

1 CERTAINLY COSTS SOMETHING DIFFERENT TO PROVIDE THESE LOOP
2 FACILITIES IN SOME AREAS THAN IT DOES TO PROVIDE THEM IN
3 OTHERS AND THAT, OF COURSE, IS WHY UNIVERSAL SERVICE IS AN
4 ISSUE. YOU'VE GOT SOME HIGH COST AREAS AND LOW COST
5 AREAS. THE TYPE OF COST DATA THAT WE'RE PROVIDING AND
6 PROVIDE THROUGH THIS HATFIELD MODEL IS ON THAT VERY
7 DISAGGREGATED BASIS. THAT TYPE OF INFORMATION IS GOING TO
8 BE CRITICAL TO A UNIVERSAL SERVICE TYPE PROCEEDING. WHAT
9 BELLSOUTH IS OFFERING TODAY IS SIMPLY A STATEWIDE AVERAGE
10 AND THAT'S REALLY NOT GOING TO TELL YOU ANYTHING AT ALL
11 ABOUT HOW COSTS ARE DIFFERENT FROM ONE LOCATION TO ANOTHER
12 SO THAT'S NOT GOING TO HELP YOU WITH UNIVERSAL SERVICE AT
13 ALL. SO, YES, THE METHODOLOGY SHOULD BE THE SAME, BUT NOT
14 ALL STUDIES ARE GOING TO BE EQUALLY USEFUL TO YOU WHEN YOU
15 START DEALING WITH UNIVERSAL SERVICE ISSUES. A STUDY AND
16 A MODEL THAT'S BASED ON THIS VERY DISAGGREGATED TYPE OF
17 COSTING AND CAPTURES THOSE COST DIFFERENCES WILL FRANKLY
18 HELP YOU IN A UNIVERSAL SERVICE CASE. A STUDY THAT FAILS
19 TO CAPTURE THOSE DIFFERENCES REALLY WON'T HELP YOU AT ALL.
20 SO, YES, THE METHODOLOGY IS THE SAME BUT NOT ALL STUDIES
21 ARE GOING TO BE EQUALLY VALUABLE TO YOU.

22 A (MR. VARNER) I DON'T THINK THAT THE METHODOLOGY WOULD
23 BE THE SAME. I GUESS THAT COMES AS A SURPRISE. YOU'RE
24 TRYING TO ANSWER TWO DIFFERENT QUESTIONS IN THOSE TWO

1 INSTANCES. IN THE CASE OF THE UNBUNDLED ELEMENTS, THE
2 QUESTION THAT'S TRYING TO BE ANSWERED WITH THE COST
3 STUDIES IS WHAT IS THE FLOOR FOR PRICES. WHAT IS THE
4 LOWEST POINT AT WHICH PRICES SHOULD BE SET IN ORDER TO
5 ESTABLISH PRICES THAT ARE APPROPRIATE TO ALLOW USE OF
6 THOSE ELEMENTS BY COMPETITORS? THAT'S ESSENTIALLY THE
7 QUESTION THAT YOU'RE ANSWERING. TO ANSWER THAT QUESTION,
8 I THINK THE RIGHT THING TO DO IS TO DETERMINE WHAT ARE THE
9 FORWARD LOOKING COSTS AND THEN MAKE A JUDGMENT AS TO WHAT
10 IS THE APPROPRIATE AMOUNT THAT NEEDS TO BE ADDED TO THAT
11 IN ORDER TO BALANCE OUT COMPETITIVE ENTRY VERSUS THE NEED
12 FOR THE FIRM TO RECOVER ITS FULL COSTS AND HOW MUCH OF
13 THAT DO YOU WANT TO RECOVER IN THOSE ELEMENTS. UNIVERSAL
14 SERVICE, YOU'RE TRYING TO ANSWER AN ENTIRELY DIFFERENT
15 QUESTION. THE QUESTION YOU'RE TRYING TO ANSWER THERE IS
16 THE QUESTION OF HOW MUCH--WHAT IS THE DIFFERENCE BETWEEN
17 THE COST OF PROVIDING SERVICE TO THESE CUSTOMERS AND THE
18 PRICES THAT THEY'RE PAYING; AND IN THAT, A BIG PART OF
19 THAT IS OBVIOUSLY GOING TO HAVE TO BE THE HISTORICAL COSTS
20 THAT THE FIRM HAS INCURRED. THE UNIVERSAL SERVICE
21 OBLIGATION DID NOT SPRING UP TODAY OR YESTERDAY. IT HAS
22 BEEN THERE FOR MANY, MANY YEARS AND THE RESULT OF HAVING
23 LIVED UP TO THAT OBLIGATION HAS GIVEN RISE TO COSTS THAT
24 THE FIRM HAS, AND IT'S THE DIFFERENCE BETWEEN THE COST OF

1 PROVIDING THAT UNIVERSAL SERVICE OBLIGATION AND THE PRICES
2 THAT CUSTOMERS ARE PAYING IS WHAT YOU'LL BE FOCUSING ON IN
3 A UNIVERSAL SERVICE PROCEEDING. SO I THINK YOU'RE TRYING
4 TO ANSWER TWO DIFFERENT QUESTIONS AS A RESULT OF THAT. IT
5 WILL BE TWO DIFFERENT COSTING METHODOLOGIES THAT WILL NEED
6 TO BE EMPLOYED.

7 Q (MS. TAYLOR) IN A RELATED QUESTION, WOULD LOOP COSTS
8 FOR UNIVERSAL SERVICE PURPOSES EVER BE LOWER THAN LOOP
9 COSTS FOR PURPOSES OF PRICING UNBUNDLED NETWORK ELEMENTS?
10 THIS TIME WE'LL BEGIN WITH THE BELLSOUTH PANEL.

11 A (MR. VARNER) AS A GENERAL RULE I WOULD THINK, AND FOR
12 BELLSOUTH, THAT THE COSTS UTILIZED--COST OF SERVICE, YOU
13 KNOW, THE ACTUAL COSTS OF PROVIDING SERVICE TO THE
14 CUSTOMER WOULD TEND TO BE HIGHER THAN THE FORWARD LOOKING
15 COSTS. I MEAN, AS A GENERAL RULE THAT'S THE WAY IT WOULD
16 BE AND THAT'S A RESULT, I THINK PRINCIPALLY, OF THE WAY
17 COSTS HAVE CHANGED IN THE TELECOMMUNICATIONS INDUSTRY.
18 THEY'VE TENDED TO GO DOWN OVER TIME. SO ANYTIME THAT YOU
19 LOOK, YOU TAKE HISTORICAL COSTS UP TO A POINT, YOU INTEND
20 THEY'RE GOING TO BE LOWER THAN FORWARD LOOKING COSTS.
21 THAT MAY NOT BE NECESSARILY THE CASE IN ALL CASES,
22 DEPENDING ON CERTAIN TYPES OF EQUIPMENT AND SO FORTH THAT
23 MAY GET OUT; BUT AS A GENERAL RULE, THAT'S GOING TO BE THE
24 CASE, THAT THE ACTUAL COSTS THAT A FIRM HAS INCURRED ARE

GOING TO TEND TO BE HIGHER THAN THE FORWARD LOOKING COSTS.

A (MR. SCHEYE) IF I CAN JUST ADD ONE POINT TO THAT? IS THAT ALL RIGHT?

Q (MS. TAYLOR) SURE.

A (MR. SCHEYE) AND THAT IS, WHEN WE DO THE PRICING-- WHEN DECISIONS ARE MADE ON PRICING LOOPS, YOU WILL HAVE THE QUESTION OF DEAVERAGING, SO YOU MAY END UP WITH THE ISSUE OF HOW TO DEAVERAGE THE LOOP PRICE WHERE THE COSTING MAY COME OUT SOMEWHAT DIFFERENT, FOR EXAMPLE, AS MY TESTIMONY TALKS ABOUT. WE KNOW THE COST IN METROPOLITAN AREAS IS LOWER THAN THE COST IN RURAL AREAS FOR LOOPS. NOW THE PRICING SCHEME IN SOUTH CAROLINA IS JUST THE REVERSE OF THAT. YOUR CHEAPEST PRICE IS IN THE RURAL AREAS; YOUR MOST EXPENSIVE PRICE IS IN THE METROPOLITAN AREAS. BEFORE YOU EMBARK ON A REPRICING EFFORT FOR ALL OF THE UNBUNDLED ELEMENTS, YOU WILL PROBABLY CONSIDER THE IMPACTS ON LOCAL PRICES, ET CETERA, SO THAT'S WHERE YOU MAY FIND SOME DEVIATION, WHEN YOU GET DOWN TO THE GEOGRAPHIC AREAS.

Q (MS. TAYLOR) AND NOW THE AT&T PANEL.

A (MR. GILLAN) I GUESS AS A STARTING POINT I COULDN'T DISAGREE WITH MR. VARNER MORE. BASICALLY THE QUESTION YOU'RE ANSWERING WHEN YOU'RE ESTIMATING THE COST OF A LOOP IS, WHAT IS THE COST THAT BELL SOUTH WILL INCUR ON A GOING

1 FORWARD BASIS TO MAKE THIS NETWORK ELEMENT AVAILABLE.
2 THAT COST WILL BE CORRECT WHETHER BELLSOUTH OBTAINS THAT
3 NETWORK ELEMENT FOR ITSELF TO PROVIDE LOCAL EXCHANGE
4 SERVICE OR BELLSOUTH SUPPLIES THAT NETWORK ELEMENT TO A
5 COMPETITOR SO THAT THEY CAN PROVIDE LOCAL EXCHANGE
6 SERVICE. WHAT YOU'RE DECIDING IS, WHAT IS THE COST, WHAT
7 IS GOING TO THEN BE THE PRICE OF THIS BASIC NETWORK
8 INGREDIENT THAT PEOPLE USE TO PROVIDE LOCAL EXCHANGE
9 SERVICE. THE UNIVERSAL SERVICE QUESTION THAT YOU'RE
10 ANSWERING IS NOT HOW DO I KEEP BELLSOUTH WHOLE. IT IS NOT
11 HOW DO I GUARANTEE BELLSOUTH'S PROFITS. THE ONLY
12 UNIVERSAL SERVICE QUESTION YOU NEED TO ANSWER IS, IF THERE
13 ARE POCKETS OUT THERE WHERE THE COST TO SUPPLY THE NETWORK
14 ELEMENTS TO PROVIDE SERVICE IS HIGHER THAN THE RATES YOU
15 WANT THOSE CONSUMERS TO PAY, THEN YOU WANT TO HAVE A
16 SYSTEM THAT TAKES MONEY FROM SOMEBODY IN SOME PLACE AND
17 MAKES IT AVAILABLE TO THE PEOPLE WHO PROVIDE SERVICE IN
18 THAT AREA SO THAT THEY WON'T BE OUT THERE CHARGING HIGHER
19 RATES TO THOSE CONSUMERS. THAT'S TRUE WHETHER OR NOT AT&T
20 BUYS THE NETWORK ELEMENT AND SIGNS UP A CUSTOMER, WHETHER
21 BELLSOUTH USES THE NETWORK ELEMENT TO SUPPLY SERVICE TO A
22 CUSTOMER, OR WHETHER MCI BUYS THE NETWORK ELEMENT TO
23 SUPPLY SERVICE TO THE CUSTOMER. WHAT YOU'RE TRYING TO DO
24 IS MAKE SURE THAT CUSTOMER OUT THERE--IF THE COST TO SERVE

1 THAT CUSTOMER IS TOO HIGH BASED ON YOUR SOCIAL DECISION,
2 YOU WANT TO MAKE SURE THAT HIS RATE DOESN'T RISE UP AND
3 THEREFORE THE ONLY THING THAT YOU'RE TRYING TO ESTIMATE IS
4 TO MAKE SURE THAT THIS NETWORK ELEMENT COST IS EQUIVALENT.
5 IT IS EQUIVALENT WHEN YOU DESIGN UNIVERSAL SERVICE, IT'S
6 EQUIVALENT WHEN YOU PUT THAT NETWORK ELEMENT INTO THE
7 MARKETPLACE AND PEOPLE USE IT TO PURCHASE PRODUCTS AND
8 SERVICES. THIS IS NOT ABOUT BELL SOUTH BEING MADE WHOLE.
9 YOU KNOW, THE TELECOMMUNICATIONS ACT FUNDAMENTALLY CHANGED
10 THE WORLD THAT WE'RE GOING TO LIVE IN, AT&T IS GOING TO
11 LIVE IN, BELL SOUTH IS GOING TO LIVE IN AND YOU'RE GOING TO
12 LIVE IN. ULTIMATELY, WHEN ALL IS SAID AND DONE, BELL SOUTH
13 IS GOING TO BE IN THE LONG DISTANCE BUSINESS AND THEY'RE
14 GOING TO GO INTO THAT LONG DISTANCE BUSINESS AND BUY
15 NETWORK ELEMENTS AT COST FROM CARRIERS AND USE IT TO
16 PROVIDE LONG DISTANCE SERVICES, AND EVERYONE ELSE NEEDS TO
17 BE ABLE TO COME INTO THE LOCAL MARKET AND BUY THESE
18 NETWORK ELEMENTS AT THEIR RELEVANT ECONOMIC COST TO GO IN
19 THE LOCAL PRODUCT AND OFFER LOCAL SERVICES. THE ONLY
20 CONSIDERATION THAT THE COMMISSION HAS IS TO MAKE SURE THAT
21 AS THIS PROCESS UNFOLDS THAT CONSUMERS SEE THE RATES GO IN
22 ONE DIRECTION, DOWN, AND THE ONLY WAY YOU'RE GOING TO
23 ACHIEVE THAT IS IF ANY CARRIER CAN BUY NETWORK INGREDIENTS
24 AND PROVIDE SERVICE; AND THE UNIVERSAL SERVICE QUESTION IS

1 DESIGNED SINGULARLY TO BENEFIT CONSUMERS, NOT TO BENEFIT
2 CARRIERS, NOT TO BENEFIT BELLSOUTH, BUT ONLY TO BENEFIT
3 CONSUMERS, AND THAT DEMANDS THAT THE SAME COSTING
4 TECHNIQUES BE USED IN BOTH INSTANCES.

5 A (MR. ELLISON) AND JUST FOR CLARIFICATION, WHEN WE TALK
6 ABOUT LOOP PRICES AND LOOP COSTS, I'D LIKE TO POINT OUT
7 THAT MR. VARNER MADE THE STATEMENT THAT HISTORICAL COSTS
8 HAVE GENERALLY BEEN HIGHER THAN FORWARD LOOKING COSTS. I
9 THINK YOU NEED TO KEEP IN MIND THAT WHEN YOU LOOK AT
10 BELLSOUTH'S TELRIC STUDIES PRESENTED IN THIS PROCEEDING,
11 THAT DOESN'T APPEAR TO BE THE CASE. THEIR INCREMENTAL
12 STUDIES, I THINK, ARE UP TO ABOUT \$30 NOW. I HAVE SEEN
13 STUDIES MUCH LOWER THAN THAT IN THE PAST. SO AS THIS
14 COMMISSION CONSIDERS THE COST OF LOOPS IN THIS DOCKET AND
15 IN FUTURE DOCKETS, I THINK IT'S IMPORTANT THAT YOU
16 RECOGNIZE THAT WE HAVE IDENTIFIED SEVERAL COST COMPONENTS
17 IN THE BELLSOUTH LOOP STUDIES THAT WOULD NOT BE
18 APPROPRIATE FOR UNIVERSAL SERVICE OR FOR NETWORK ELEMENT
19 PRICING. SO WHEN WE TALK ABOUT LOOP COSTS, WE'RE NOT
20 TALKING ABOUT THE STUDIES THAT BELLSOUTH HAS PRESENTED.

21 Q (MS. TAYLOR) AT THIS POINT WE'LL LEAVE ISSUE 23
22 UNLESS THE COMMISSIONERS HAVE ANY QUESTIONS.

23 CHAIRMAN BUTLER: DO THE
24 COMMISSIONERS HAVE ANY QUESTIONS?

(NO RESPONSE)

1
2 Q (MS. TAYLOR) I BELIEVE WE'LL MOVE THROUGH ISSUES 24
3 THROUGH 29, WITH THE EXCEPTION OF 28, RATHER QUICKLY; AND
4 I WOULD JUST ASK EACH PANEL TO GIVE A SUMMARY POSITION ON
5 EACH ONE. WE WILL GO THROUGH THEM ONE BY ONE, AND I'LL
6 STATE THEM AS WE GO. BEGINNING WITH 24: WHAT IS THE
7 APPROPRIATE PRICE FOR CALL TRANSPORT AND TERMINATION? AND
8 THE BELLSOUTH PANEL--

9 A (MR. SCHEYE) DO YOU WANT BELLSOUTH TO START?

10 Q (MS. TAYLOR) PLEASE.

11 A (MR. SCHEYE) JUST VERY BRIEFLY ON EACH OF THE ISSUES
12 THEN. IN TERMS OF 24, WHICH IS CALL TRANSPORT AND
13 TERMINATION, WE BELIEVE BASICALLY IT SHOULD RELATE TO THE
14 LOCAL SWITCHING PRICES AND OUR SWITCHED ACCESS PRICES THAT
15 ARE ALREADY IN EXISTENCE. THE REASON FOR THAT IS THE
16 FUNCTIONS THAT ARE PERFORMED ARE EFFECTIVELY IDENTICAL AND
17 THAT WE BELIEVE OVER TIME SWITCHED ACCESS AND LOCAL
18 INTERCONNECTION WILL EVOLVE THEMSELVES INTO A SINGULAR
19 SORT OF PROCESS AS LOCAL CALLS AND TOLL CALLS BEGIN TO MIX
20 THEMSELVES UP THROUGH COMPETITION.

21 IN ISSUE 25, I WON'T SPEND A LOT OF TIME
22 ON IT BECAUSE I BELIEVE THAT ONE IS RESOLVED ON "BILL AND
23 KEEP," BUT IT IS BELLSOUTH'S POSITION AND VIEW THAT "BILL
24 AND KEEP" IS SOMETHING THAT WE COULD NEGOTIATE

1 VOLUNTARILY. IT IS NOT SOMETHING THAT SHOULD BE MANDATED
2 OR REQUIRED BECAUSE IT LEAVES BOTH COMPANIES, BOTH
3 ENTITIES, WITH THE QUESTION OF WHETHER THEY'RE IN FACT
4 RECOVERING THEIR COSTS. SO WE DO NOT SUPPORT A "BILL AND
5 KEEP" METHODOLOGY. WE HAVE NOT NEGOTIATED ONE NOR DO WE
6 FEEL THAT ONE SHOULD BE MANDATED OR REQUIRED OF US, AND I
7 BELIEVE WE'RE IN SYNC WITH AT&T ON THAT AT THIS POINT IN
8 TIME BECAUSE I BELIEVE THAT ISSUE HAS BEEN TAKEN OFF THE
9 TABLE.

10 Q (MS. TAYLOR) I HATE TO INTERRUPT YOU. I'M SORRY. I
11 WAS GOING TO GO THROUGH EACH ONE, ONE BY ONE, AND GET A
12 RESPONSE.

13 A (MR. SCHEYE) OH, I'M SORRY, I'M SORRY.

14 Q (MS. TAYLOR) THAT'S ALL RIGHT. I MAY NOT HAVE BEEN
15 CLEAR.

16 A (MR. SCHEYE) THAT'S EVEN BETTER. THANK YOU.

17 Q (MS. TAYLOR) AND UNLESS AT&T HAS A RESPONSE TO #25, I
18 WAS JUST ASSUMING WE WOULD LEAVE IT OFF; BUT IF YOU HAVE A
19 RESPONSE AND ALSO TO ISSUE 24, PLEASE DO SO AT THIS TIME.

20 A (MR. ELLISON) WITH REGARD TO THE APPROPRIATE PRICE FOR
21 TRANSPORT AND TERMINATION, IT'S OUR POLICY THAT TRANSPORT
22 AND TERMINATION REALLY INVOLVES THE USE OF THE NETWORK
23 ELEMENTS FOR TRANSPORT AND SWITCHING, THE END OFFICE
24 SWITCHING, AND THAT THE APPROPRIATE PRICE WOULD BE THE

1 SAME PRICE AS FOR NETWORK ELEMENTS WHICH IS A FORWARD
2 LOOKING INCREMENTAL COST OF THAT SERVICE. I GUESS THE
3 PRIMARY DIFFERENCE BETWEEN BELLSOUTH AND AT&T IS THAT WE
4 BELIEVE THE RATES SHOULD BE COST BASED. PARTICULARLY THE
5 SWITCHING RATE THAT BELLSOUTH PROPOSES IN THIS PROCEEDING
6 IS MUCH HIGHER THAN THE COST AND ANYONE TRYING TO
7 TERMINATE TRAFFIC TO BELLSOUTH IN THAT SITUATION WOULD
8 INCUR SOME VERY HIGH EXPENSES.

9 Q (MS. TAYLOR) NOW WE'LL GO TO ISSUE 26: WHAT IS THE
10 APPROPRIATE PRICE FOR CERTAIN SUPPORT ELEMENTS RELATING TO
11 INTERCONNECTION AND NETWORK ELEMENTS?

12 A (MR. SCHEYE) WE DON'T SEE ANY PARTICULARLY DIFFERENT
13 SYSTEMS. SUPPORT ELEMENTS TYPICALLY SHOULD BE PRICED AT
14 COST PLUS A REASONABLE PROFIT. WHAT'S REFERENCED HERE IS,
15 I BELIEVE IT'S POLES, DUCTS AND CONDUITS. WE HAVE PRICES
16 IN EXISTING LICENSING AGREEMENTS. WE HAVE SEVERAL
17 PARTIES. THOSE AGREEMENTS, IN FACT, ARE BEING CONFORMED
18 TO THE TELECOM ACT, AND WE BELIEVE THOSE PRICES SHOULD BE
19 APPLIED TO EVERYONE IN A NONDISCRIMINATORY MANNER.

20 Q (MS. TAYLOR) AND THE AT&T PANEL?

21 A (MR. ELLISON) OUR POSITION IS CONSISTENT WITH PRICING
22 NETWORK ELEMENTS, TRANSPORT TERMINATION. THE PRICES
23 SHOULD BE BASED ON FORWARD LOOKING ECONOMIC COSTS,
24 INCLUDING RETURN ON THE COST OF MONEY FOR PROVIDING THOSE

1 FUNCTIONS.

2 Q (MS. TAYLOR) ISSUE 27: MUST BELLSOUTH PRICE BOTH
3 LOCAL AND LONG DISTANCE ACCESS AT COST? ANOTHER WAY OF
4 QUESTIONING IS: DO SECTIONS 251 AND 252 OF THE ACT APPLY
5 TO THE PRICE OF EXCHANGE ACCESS?

6 A (MR. VARNER) AND A BRIEF RESPONSE IS, NO. THE
7 PROVISIONS OF 251 AND 252 APPLY TO THE OPENING OF OUR
8 NETWORK FOR LOCAL INTERCONNECTION. IT DOES NOT APPLY TO
9 EXCHANGE ACCESS NOR IS THERE ANY REQUIREMENT THAT EXCHANGE
10 ACCESS BE PRICED ON COST. IN FACT, QUITE TO THE CONTRARY,
11 THERE IS A PROVISION OF SECTION 251, WHICH I CAN'T RECALL
12 THE EXACT PARAGRAPH NOW, WHICH IS ESSENTIALLY A SAVINGS
13 CLAUSE FOR THE EXISTING ACCESS CHARGES AT THE INTERSTATE
14 LEVEL THAT SAYS THAT IT WILL NOT BE CHANGED UNTIL THE
15 F.C.C. MAKES A DETERMINATION THAT THEY SHOULD BE CHANGED.
16 SO CLEARLY 251 AND 252 IS NOT INTENDED TO BE USED AS A
17 VEHICLE TO FORCE ACCESS PRICES DOWN; AND IN FACT WHEN THE
18 F.C.C. ISSUED ITS RULES, IT WAS VERY, VERY CLEAR ON THAT
19 POINT AND ALSO ISSUED AN ORDER AND A SUBSEQUENT ORDER ON
20 ITS OWN MOTION TO FURTHER CLARIFY THAT POINT, THAT THERE
21 WAS NO INTENT THAT ACCESS BE REPRICED AT COST AS A RESULT
22 OF LOCAL INTERCONNECTION PROCEEDINGS.

23 A (MS. WINEGARD) I'LL RESPOND TO THE LAST QUESTION. WE
24 DO BELIEVE THAT THE ACT REQUIRES THAT ACCESS CHARGES BE

1 PRICED AT COST. THE PRICING STANDARD IS DEALT WITH IN
2 SECTION 252(D)(1) AND (2) OF THE ACT, AND WE BELIEVE THAT
3 THIS COMMISSION SHOULD SET ACCESS AT COST.

4 Q (MS. TAYLOR) ISSUE 28: WHAT RATES APPLY TO COLLECT,
5 THIRD PARTY, INTRALATA AND INFORMATION SERVICE PROVIDER
6 CALLS WHEN THESE CALLS ORIGINATE FROM AN AT&T CUSTOMER BUT
7 ARE BILLED TO A BELLSOUTH CUSTOMER? IF BELLSOUTH WOULD
8 PLEASE SUMMARIZE ITS POSITION ON THIS ISSUE.

9 A (MR. SCHEYE) OUR POSITION IS PRETTY MUCH DRIVEN ON
10 PRACTICALITY ON THIS ONE. WHEN AT&T PURCHASES THOSE TYPES
11 OF SERVICES FROM US, YOU KNOW, WE BILL THEM. THEY WILL BE
12 CONSIDERED RESALE AND THEY WILL BE PROVIDED THE RESALE
13 DISCOUNT. IN ANY INSTANCE WHERE BELLSOUTH IS BILLING ITS
14 OWN END-USERS, IT HAS NO OPTION OR NO CHOICE. IT MUST
15 BILL ITS OWN RATES. THAT'S THE ONLY RATES WE CAN BILL.
16 THAT'S THE ONLY RATES WE'RE LEGALLY ALLOWED TO BILL. SO
17 THERE'S REALLY NOT MUCH OF AN OPTION FOR US IN THIS AREA.
18 WE WILL BILL THEM A RESALE RATE WHEN THEY'RE RESELLING THE
19 SERVICE. WHEN WE ARE DIRECTLY BILLING OUR END-USERS FOR
20 SERVICES, WE HAVE NO OPTION OR LEGAL AUTHORITY TO DO
21 ANYTHING BUT BILL OUR CUSTOMERS OUR TARIFF PRICES AND WE
22 PLAN TO CONTINUE TO DO THAT.

23 Q (MS. TAYLOR) IF YOU DID BILL AT&T'S RATES FOR THESE
24 SERVICES, WOULD THE END-USER EXPERIENCE A RATE INCREASE?

1 A (MR. SCHEYE) IF WE WERE TO BILL AT&T'S RATES, WHAT
2 WOULD HAVE TO OCCUR SORT OF FIRST IS, AT&T WOULD HAVE TO
3 PURCHASE BILLING AND COLLECTION UNDER CONTRACT FROM
4 BELLSOUTH, WHICH IS SOMETHING WE DO NOT ANTICIPATE
5 PROVIDING NOR DO WE ANTICIPATE HAVING ANY MARKET FOR IT.
6 AT THAT POINT IT WOULD BE TOTALLY DEPENDENT UPON AT&T'S
7 RATES. WE WOULD THEN BE NOTHING MORE THAN A PASS-THROUGH
8 COMPANY. IT WOULD NOT BE OUR RATES INVOLVED. SO AT&T'S
9 RATES MAY BE HIGHER THAN THE BELLSOUTH RATES; THEY COULD
10 BE LOWER THAN THE BELLSOUTH RATES.

11 Q (MS. TAYLOR) AND AT&T?

12 A (MR. CARROLL) THE ANSWER TO YOUR SECOND QUESTION IS, I
13 BELIEVE COMPETITION WILL DETERMINE WHAT HAPPENS TO THOSE
14 RATES. IT'S OUR POSITION THAT THE ORIGINATING CARRIER'S
15 CUSTOMER RATE SHOULD APPLY. NOW THIS IS SOMETHING THAT
16 THE INDUSTRY DOES IN THE INTERLATA AREA. IT WORKS VERY
17 WELL. IT ELIMINATES CUSTOMER CONFUSION, ELIMINATES
18 COMPLAINTS BETWEEN CARRIERS. IN THIS CASE, BELLSOUTH HAS
19 AGREED TO DO IT ON UNBUNDLED BUT NOT ON RESALE. IN THIS
20 AREA, BOTH GEORGIA AND FLORIDA HAVE ORDERED THIS AS WE
21 HAVE RECOMMENDED AND SNET AND SOME OTHER COMPANIES HAVE
22 ALSO AGREED. IN THIS PARTICULAR AREA ON AN INCOLLECT CALL
23 THAT COMES INTO US WHERE THE ORIGINATING CUSTOMER IS
24 BELLSOUTH, WE WILL BILL THEIR RATES AND WE HAVE AGREED TO

1 DO SO, WHICH IS CONSISTENT WITH THE INDUSTRY. THE ONLY
2 SITUATION THAT'S OPEN IS THE OUTCOLLECT AREA WHERE THE
3 ORIGINATING CUSTOMER IS US AND THE TERMINATING CUSTOMER IS
4 ANOTHER LOCAL SERVICE PROVIDER LIKE BELLSOUTH. THEY HAVE
5 NOT AGREED TO USE OUR RATES IN THAT CASE, AND WE BELIEVE
6 THAT THIS WOULD ELIMINATE CONFUSION FOR THE CUSTOMER AND
7 COMPLAINTS BETWEEN PARTICIPANTS IN THE INDUSTRY, AND IT'S
8 SOMETHING THAT IS VERY DOABLE.

9 Q (MS. TAYLOR) AND LASTLY ISSUE 29, THE APPROPRIATE
10 GENERAL CONTRACTUAL TERMS AND CONDITIONS THAT SHOULD
11 GOVERN THE INTERCONNECTION AGREEMENT. IF EITHER PANEL HAS
12 COMMENTS, WE'LL BEGIN WITH BELLSOUTH.

13 A (MR. VARNER) AS I UNDERSTAND IT, THE ISSUE HAS BEEN
14 PARTIALLY RESOLVED. THE ONLY ISSUE THAT REMAINS IS
15 WHETHER OR NOT BELLSOUTH'S AFFILIATE SHOULD BE BOUND BY
16 THE INTERCONNECTION AGREEMENT AND WE DON'T AGREE WITH
17 THAT. HOWEVER, YOU KNOW, WE'RE NOT TRYING TO SAY THAT IF
18 IT WAS A SUCCESSOR COMPANY OF BELLSOUTH OR SOMETHING OF
19 THAT NATURE THAT THAT COMPANY WOULD NOT BE BOUND, BUT IT
20 DOESN'T SEEM TO MAKE ANY SENSE TO US TO HAVE A COMPANY
21 THAT IS A BELLSOUTH TELECOMMUNICATIONS AFFILIATE THAT IS
22 NOT EVEN ENGAGED IN THE PROVISION AND DOESN'T HAVE ANY OF
23 THE OBLIGATIONS UNDER SECTION 252 TO BE BOUND BY AN
24 AGREEMENT THAT IS DESIGNED TO FULFILL THOSE OBLIGATIONS.

1 FOR EXAMPLE, WHY SHOULD BELLSOUTH EUROPE BE BOUND TO AN
2 INTERCONNECTION AGREEMENT BETWEEN BELLSOUTH TELECOMMUNI-
3 CATIONS AND AT&T. IT JUST SIMPLY DOESN'T MAKE ANY SENSE.
4 WE'RE NOT TRYING TO SAY THAT IF, FOR EXAMPLE, BELLSOUTH
5 TELECOMMUNICATIONS WAS BOUGHT BY ANOTHER COMPANY AT SOME
6 POINT IN TIME THAT THAT OTHER COMPANY WOULD NOT BE SUBJECT
7 TO IT. THAT'S NOT SOMETHING WE CAN DISAGREE WITH.

8 A (MR. CARROLL) LET ME BE A LITTLE BIT MORE CRISP HERE.
9 THERE ARE ACTUALLY TWO AREAS. THE FIRST ONE IS THE
10 AFFILIATES ISSUE, BUT IT'S NOT BELLSOUTH EUROPE THAT WE'RE
11 CONCERNED ABOUT. WE HAVE REACHED AGREEMENT AROUND
12 SUCCESSORS AND ASSIGNS, THAT BELLSOUTH WISHES TO EXCLUDE
13 ANY INTERCOMPANY TRANSFERS THAT WOULD TAKE PLACE OUT OF
14 BELLSOUTH TELECOMMUNICATIONS AND SO WE DO NOT BELIEVE THAT
15 IS APPROPRIATE. SO THAT'S REALLY THE CRISPNESS AROUND
16 THAT PARTICULAR ISSUE THAT WE'VE YET TO RESOLVE.

17 THE SECOND ISSUE IN THIS HAS TO DO WITH
18 ACCESS TO CUSTOMER CREDIT HISTORY WHICH BELLSOUTH IN FACT
19 DOES HAVE FOR SOME OF THE CUSTOMERS AND USES IT FOR
20 THEMSELVES. IN TERMS OF PARITY, WE'RE JUST SAYING IF THEY
21 HAVE IT, IF THEY USE IT FOR THEMSELVES, THEY SHOULD SHARE
22 IT WITH US. SECONDLY, WE'RE WILLING TO SHARE IT WITH THEM
23 AS WELL IN THIS CASE. AND THIRDLY, WHAT WE'RE ASKING FOR
24 HERE IS ONLY EIGHT ITEMS: THE NAME, THE ADDRESS, PREVIOUS

1 TELEPHONE NUMBER, THE UNPAID BALANCE IF ANY, WHETHER OR
2 NOT IT'S DELINQUENT--YES OR NO, THE LENGTH OF THE SERVICE,
3 AND WHETHER OR NOT THERE'S BEEN ANY TERMINATION OR
4 SUSPENSION IN THE LAST SIX MONTHS; AND, AGAIN, WE'D BE
5 WILLING TO SHARE THAT INFORMATION WITH THEM AS WELL.

6 Q (MS. TAYLOR) I WOULD LIKE TO, BEFORE WE MOVE INTO THE
7 PARITY ISSUES AS SOME PARTIES TERM THEM, GO BACK AND
8 FOLLOW UP ON A QUESTION COMMISSIONER SCOTT ASKED EARLIER.
9 REGARDING ISSUE 23, THE UNBUNDLED NETWORK PRICING: WHAT
10 HAS BEEN THE RESULT IN OTHER BELLSOUTH STATES?

11 A (MR. SCHEYE) SHOULD WE GO FIRST?

12 Q (MS. TAYLOR) SURE, GO AHEAD.

13 A (MR. SCHEYE) THE DECISIONS, I THINK, HAVE VARIED
14 ACROSS THE REGION IN THE DECISIONS WE HAVE. IN NO CASE
15 HAS ANY COMMISSION REQUIRED GEOGRAPHIC DEAVERAGING.
16 THAT'S BEEN CONSISTENT. THE LOOP PRICES, I THINK IT'S
17 COMING IN FAIRLY CLOSE TO THE PRICES WE HAVE PROPOSED. IN
18 SOME CASES THEY'VE ADOPTED THE RATES WE'VE HAD SUBJECT TO
19 THE TRUE-UP. I THINK THE HIGHEST RATE WE HAVE FOR A TWO
20 WIRE LOOP IS RIGHT AROUND \$20, I BELIEVE. THE LOWEST IS
21 GEORGIA, WHICH IS \$14.22, WHICH WAS RESOLVED THROUGH A
22 GENERIC PROCEEDING; BUT, AGAIN, THAT ONE WAS SUBJECT TO
23 TRUE-UP. THE REMAINING UNBUNDLED ELEMENTS, AGAIN THERE IS
24 NO DEAVERAGING THAT HAS OCCURRED. SOME STATE COMMISSIONS

1 HAVE ADOPTED QUASI-VERSIONS OF HATFIELD--I DON'T THINK
2 THEY'RE ABSOLUTELY IDENTICAL--FOR SOME ELEMENTS. THEY
3 HAVE USED OUR TARIFF PRICES FOR SOME ELEMENTS AS WELL.
4 GEORGIA IS A GOOD EXAMPLE OF THAT KIND OF SCENARIO, AND
5 AGAIN IN MOST INSTANCES THEY HAVE USED THE TRUE-UP PROCESS
6 TO GET THESE RATES ESTABLISHED AS THE BASE AND THEN MOVE
7 FORWARD WITH A GENERIC PROCEEDING TO THE EXTENT THEY NEED
8 ONE FOR MORE COST. SO IF I COULD SUMMARIZE IT, IT'S
9 PROBABLY SOME COMBINATION OF WHAT BELLSOUTH PROPOSES AND
10 WHAT AT&T HAS PROPOSED WITH THE TRUE-UP. THANK YOU.

11 A (MR. ELLISON) I THINK EACH STATE--WELL, LET ME JUST GO
12 THROUGH THEM. THE GEORGIA COMMISSION, I HAD SUBMITTED
13 PROPOSED RATES IN THAT PROCEEDING AND THE GEORGIA
14 COMMISSION'S ORDER WAS THAT WE IMPLEMENT THE RATES THAT I
15 HAD PROPOSED; AND IN THOSE CASES WHERE I HAD NOT PROPOSED
16 A RATE, THAT, ON AN INTERIM BASIS, BELLSOUTH'S RATES BE
17 USED. INCIDENTALLY, THE RATES THAT I HAD PROPOSED WERE
18 ALSO INTERIM RATES, SO PENDING A COST PROCEEDING TO TAKE
19 PLACE LATER IN THE YEAR.

20 THE LOUISIANA COMMISSION, THE RATES THAT
21 THEY APPROVED THERE ARE--I GUESS TECHNICALLY SPEAKING THE
22 COMMISSION DID NOT ADOPT EITHER AT&T'S OR BELLSOUTH'S
23 RATES, BUT THE RATES THAT THEY PROPOSED WERE VERY CLOSE TO
24 THE RATES THAT AT&T HAD PROPOSED. IN OTHER CASES, THEY

1 USED BELLSOUTH'S ACTUAL COST STUDY RESULTS FOR SOME OF THE
2 THINGS LIKE OPERATOR SERVICES.

3 IN FLORIDA, FLORIDA BASED THEIR RATE
4 RECOMMENDATIONS ON TSLRIC COSTS AND WHAT THAT MEANT WAS,
5 AGAIN, YOU SAW RATES THAT WERE RECOMMENDED BY THE STAFF
6 THAT REFLECTED BELLSOUTH'S TSLRIC COSTS TO THE EXTENT THE
7 STAFF COULD DETERMINE THOSE COSTS. THEY ALSO BASED SOME
8 NONRECURRING CHARGES ON BELLSOUTH'S COST STUDIES WHERE AT
9 LEAST AT THE TIME--THERE WERE NO PROPOSALS FROM ANYONE
10 ELSE AT THE TIME, SO THEY JUST ADOPTED THOSE RATES.

11 LET'S SEE, THAT LEAVES--IN NORTH
12 CAROLINA, I DON'T KNOW IF THE NORTH CAROLINA COMMISSION
13 HAS APPROVED RATES OR NOT. NORTH CAROLINA HAD A PROPOSED
14 ORDER OUT THAT ESSENTIALLY ADOPTED THE F.C.C.'S PROXY
15 RATES.

16 THE TENNESSEE RATES, THEY WERE A MIXED
17 BAG. THEY ACCEPTED SOME OF AT&T'S RATES. I THINK
18 PARTICULARLY CRITICAL IS THEY ACCEPTED THE RATES ON LOCAL
19 SWITCHING, WHICH THAT RATE SEEMS LIKE A VERY SMALL RATE,
20 BUT YOU HAVE TO REMEMBER IT'S APPLIED TO A LOT OF MINUTES;
21 AND IF YOU MAKE THAT RATE TOO HIGH, IT MAKES LOCAL
22 COMPETITION IMPOSSIBLE. BUT ESSENTIALLY IN TENNESSEE THEY
23 ADOPTED SOME OF AT&T'S RATES AND SOME OF BELLSOUTH'S
24 RATES.

1 SO IT HAS BEEN A MIXED BAG ACROSS THE
2 REGION, BUT GENERALLY THE COMMISSIONS HAVE TENDED TOWARD
3 COST-BASED RATES AND BASED ON FORWARD LOOKING COSTS. THAT
4 WOULD BE MY TAKE OF THE GENERAL POSITIONS OF THE
5 COMMISSIONS.

6 Q (MS. TAYLOR) LET'S MOVE OVER NOW AND DISCUSS SOME OF
7 THE UNBUNDLED NETWORK ELEMENT ISSUES, SPECIFICALLY ISSUE
8 #14, THE QUESTION OF WHETHER BELLSOUTH MUST PROVIDE TO
9 AT&T ACCESS TO THE ELEMENTS IN QUESTION THERE. WE CAN
10 BEGIN BY DISCUSSING THE NETWORK INTERFACE DEVICE. I'LL
11 PUT THE QUESTION FIRST TO THE BELLSOUTH PANEL AND ASK IF
12 YOU WOULD EXPLAIN, PLEASE, WHAT BELLSOUTH HAS AGREED TO
13 PROVIDE IN FACT.

14 A (MR. MILNER) YES, I'LL BE GLAD TO DO THAT. FIRST,
15 THE F.C.C.'S ORDER DESCRIBED A METHOD OF CONNECTING AT&T'S
16 NETWORK INTERFACE DEVICE TO BELLSOUTH'S NETWORK INTERFACE
17 DEVICE, WHICH WE AGREE IS AN APPROPRIATE WAY TO
18 INTERCONNECT; AND ALSO BELLSOUTH HAS AGREED THAT, TO THE
19 EXTENT THAT THERE ARE SPARE TERMINALS WITHIN THE BELLSOUTH
20 NETWORK INTERFACE DEVICE, AT&T MAY USE THOSE SPARE
21 TERMINALS TO TERMINATE ITS LOOP AND THEREBY GAIN ACCESS TO
22 THE INSIDE WIRE. SO THOSE ARE THE TWO METHODS THAT WE
23 HAVE AGREED TO PROVIDE TO AT&T TO ALLOW IT ACCESS TO THE
24 INSIDE WIRE OF THE CUSTOMER'S PREMISE.

1 Q (MS. TAYLOR) AND WHAT FURTHER IS AT&T REQUESTING?
2 WHERE IS OUR POINT OF CONTROVERSY HERE?

3 A (MR. HAMMAN) I CAN ADDRESS THAT. THE POINT OF
4 CONTROVERSY THAT MR. MILNER BROUGHT UP AND MR. SCHEYE
5 BROUGHT UP TODAY WAS THE DEFINITION OF TECHNICAL
6 FEASIBILITY. IN THEIR TESTIMONY THEY TALK ABOUT TECHNICAL
7 FEASIBILITY INCLUDING MORE THAN WHAT THE F.C.C.'S
8 DEFINITION OF TECHNICAL FEASIBILITY CONSISTS OF. IT DOES
9 NOT CONSIST, IN THE F.C.C., OF CAPACITY LIMITATIONS OR
10 OPERATIONAL CONCERNS. WHAT WE'RE TALKING ABOUT ON THE
11 N.I.D. OR NETWORK INTERFACE DEVICE IS, WE'RE ASKING WHERE
12 THERE IS NOT SPARE CAPACITY THAT WE BE ABLE TO LIFT THEIR
13 LOOP FROM THAT N.I.D. AND PROPERLY GROUND IT JUST AS THEY
14 WOULD THEMSELVES TO PROVIDE US THE SPARE CAPACITY FOR OUR
15 LOOP, AND WE BELIEVE THAT WITH OUR TECHNICIANS, THEY BEING
16 CERTIFIED AS WELL AS BELLSOUTH'S TECHNICIANS TO PROPERLY
17 GROUND THAT, THERE WILL BE NO HARM TO THE NETWORK AND IT
18 IS TECHNICALLY FEASIBLE TO DO THAT. THE POINT I MIGHT
19 BRING OUT IS, LAST WEEK IN THE GEORGIA PROCEEDINGS WHERE
20 BELLSOUTH ASKED TO BE RELIEVED FROM OR BE ALLOWED TO GO
21 INTO THE LONG DISTANCE MARKET IN THE INTERLATA BUSINESS,
22 THEY PROVIDED A STATEMENT OF GENERALLY AVAILABLE TERMS AND
23 CONDITIONS THAT INCLUDES THAT CAPABILITY, SO IT WOULD
24 APPEAR TO US THAT IT IS TECHNICALLY FEASIBLE ON

1 BELL SOUTH'S LINE. IT JUST DOESN'T SEEM TO BE TECHNICALLY
2 FEASIBLE IN SOUTH CAROLINA.

3 A (MR. MILNER) IF I COULD RESPOND TO THAT, BELL SOUTH
4 HAS MAINTAINED ITS POSITION ALL ALONG THAT REMOVING
5 BELL SOUTH'S LOOP FROM THE PROTECTIVE DEVICES THAT ARE
6 CONTAINED WITHIN THE NETWORK INTERFACE DEVICE CONSTITUTE A
7 HAZARD, AN ELECTRICAL HAZARD. THE NATIONAL ELECTRICAL
8 CODE, WHICH I CITED IN MY DIRECT TESTIMONY, IS PRETTY
9 CLEAR, I BELIEVE, ON THE REQUIREMENTS OF TERMINATING A
10 LOOP TO A PROTECTIVE DEVICE. SOME DEVICE THAT IN THE CASE
11 OF LIGHTNING OR STRAY ELECTRICITY BEING ON EITHER THE LOOP
12 OR THE INSIDE WIRE WOULD PROVIDE A PATH TO GROUND THAT
13 WOULD PREVENT THE POSSIBILITY OF ELECTROCUTION OR FIRES OR
14 SOMETHING OF THAT NATURE. AT&T HAS SAID A COUPLE OF TIMES
15 THAT IT CAN DO BOTH. IT CAN REMOVE BELL SOUTH'S LOOP FROM
16 THE PROTECTIVE DEVICE, AND YET SOMEHOW THAT LOOP WILL
17 STILL BE PROTECTED. THE LOOP IS EITHER CONNECTED TO THE
18 NETWORK INTERFACE DEVICE OR IT'S NOT. IT'S PRETTY CLEAR
19 TO US FROM THE PLAIN LANGUAGE OF THE ELECTRICAL CODE THAT
20 A PROTECTIVE DEVICE SUCH AS THAT CONTAINED IN THE N.I.D.
21 BE ATTACHED TO THE END OF OUR LOOP. SO WE THINK THAT'S
22 PRETTY CLEAR ON THAT BASIS, BUT OUR POSITION HAS BEEN
23 CONSISTENT ALL ALONG THAT REMOVING OUR LOOP FROM THAT
24 PROTECTIVE DEVICE IS A VIOLATION OF THE CODE.

1 Q (MS. TAYLOR) WOULD EITHER PANEL HAVE ANY ELABORATION
2 ON WHAT YOUR BELIEF IS THAT THE ACT AND THE F.C.C.'S
3 ORDERS AND RULES REQUIRE REGARDING THIS ISSUE? WE CAN
4 START WITH AT&T, IF YOU HAVE A RESPONSE.

5 A (MS. WINEGARD) YES. THE ACT REQUIRES THAT BELLSOUTH
6 PROVIDE ACCESS TO ALL UNBUNDLED NETWORK ELEMENTS UNLESS
7 NOT TECHNICALLY FEASIBLE, AND THE N.I.D. IS CLEARLY A
8 NETWORK ELEMENT AND IT'S TECHNICALLY FEASIBLE AND WE
9 BELIEVE, THEREFORE, IT IS CONSISTENT WITH THE ACT, THAT
10 BELLSOUTH PROVIDE THE N.I.D. AND ALLOW IT TO BE CONNECTED
11 IN THE MANNER WHICH MR. HAMMAN DISCUSSED. AND AS MR.
12 HAMMAN DID SAY, IN GEORGIA WHERE THEY WERE ORDERED TO DO
13 JUST THAT, THEY HAVE NOW MADE IT AVAILABLE TO EVERYONE
14 UNDER THEIR PROPOSED GENERAL STATEMENT OF TERMS AND
15 CONDITIONS IN THE 271 PROCEEDING.

16 A (MR. MILNER) IF I MIGHT RESPOND JUST VERY BRIEFLY,
17 THE F.C.C.'S ORDER TALKS ABOUT TECHNICAL FEASIBILITY IN AT
18 LEAST TWO PARAGRAPHS. PARAGRAPH 198, I DON'T THINK
19 THERE'S A WHOLE LOT OF DISAGREEMENT THAT TECHNICAL
20 FEASIBILITY IS A FUNCTION OF TECHNICAL AND OPERATIONAL
21 CONCERNS. WE DON'T DENY THAT. THE LANGUAGE IN PARAGRAPH
22 203 OF THAT SAME ORDER ALSO TALKS ABOUT TECHNICAL
23 FEASIBILITY AND SAYS CLEARLY, "WE CONCLUDE, HOWEVER, THAT
24 LEGITIMATE THREATS TO NETWORK RELIABILITY AND SECURITY

1 MUST BE CONSIDERED IN EVALUATING TECHNICAL FEASIBILITY"
2 AND THEN IT GOES ON TO SAY "NEGATIVE NETWORK RELIABILITY
3 EFFECTS ARE NECESSARILY CONTRARY TO A FINDING OF TECHNICAL
4 FEASIBILITY." SO, WE'VE NOT TRIED TO CHANGE THE
5 DEFINITION THAT'S BEEN OFFERED BY THE F.C.C. WE'VE TRIED
6 TO EXPLAIN THAT AND MAKE IT WORKABLE AND FRANKLY PREVENT
7 DISAGREEMENTS LIKE THIS FROM COMING BEFORE THE COMMISSION
8 TO BE ARBITRATED. BUT THE ORDER IS FAIRLY CLEAR THAT ITS
9 DEFINITION OF TECHNICAL FEASIBILITY INCLUDES THINGS SUCH
10 AS NETWORK RELIABILITY AND SECURITY, WHICH WOULD MEAN
11 PHYSICAL SECURITY AS WELL.

12 A (MR. VARNER) THE APPLICABLE F.C.C. RULE ON THIS,
13 51.319(B)(2), AND WHAT IT SAYS IS, "AN INCUMBENT LEC SHALL
14 PERMIT A REQUESTING TELECOMMUNICATIONS CARRIER TO CONNECT
15 ITS OWN LOOPS TO THE INSIDE WIRE OF THE PREMISES THROUGH
16 THE INCUMBENT LEC'S NETWORK INTERFACE DEVICE. THE
17 REQUESTING TELECOMMUNICATIONS CARRIER SHALL ESTABLISH THIS
18 CONNECTION THROUGH AN ADJOINING NETWORK INTERFACE DEVICE
19 EMPLOYED BY SUCH TELECOMMUNICATIONS CARRIER." SO WHAT IT
20 SAYS IS THAT THEY HAVE TO ESTABLISH THEIR OWN N.I.D. AND
21 PUT IT OUT THERE AND THEN THEY CAN INTERCONNECT WITH OURS.

22 A (MR. HAMMAN) ONE COMMENT ON THE F.C.C.--I DON'T HAVE
23 IT RIGHT HERE IN FRONT OF ME, BUT I BELIEVE IT ALSO SAID
24 THAT ON THIS ISSUE IT COULD BE LEFT TO THE STATE. AND I

1 BELIEVE IN THE CASES WHERE WE'VE BEEN TO OTHER STATES THAT
2 THE STATE HAS MADE THAT DECISION, THAT IN FACT AT&T COULD
3 LIFT BELLSOUTH'S LOOP, PROPERLY GROUNDED, AND NOT CAUSE
4 THE HARM THAT BELLSOUTH IS SAYING IS THERE FOR THE
5 NETWORK.

6 Q (MS. TAYLOR) DO EITHER OR BOTH PANELS HAVE A RESPONSE
7 TO THE OTHER ABOUT WHAT IS GOING TO BE COST PROHIBITIVE OR
8 WHAT THE EFFECT ON THE END-USER OR THE CONSUMER MIGHT BE
9 GIVEN ONE POSITION VERSUS ANOTHER? WE'LL BEGIN WITH AT&T,
10 IF YOU DO.

11 A (MR. HAMMAN) WELL, I MIGHT COMMENT. YOU SAW THE
12 PICTURE ON THE CD-ROM. YOU SAW THIS BOX ON THE OUTSIDE OF
13 THE HOUSE, AND IT'S NOT REALLY THE MOST ATTRACTIVE BOX IN
14 THE WORLD ON YOUR HOUSE; AND IT WOULD BE ONE OF THOSE THAT
15 IF YOU HAD TO ADD ADDITIONAL N.I.D. FOR AT&T, YOU'D START
16 ADDING MORE AND MORE UNSIGHTLY OBJECTS ON THE HOUSE AND IT
17 JUST DOESN'T MAKE A LOT OF SENSE TO A CONSUMER THAT,
18 BECAUSE OF THE WAY THAT MY LOOP WAS UNREACHABLE, YOU CAN'T
19 USE THE SPARE--THE SPARE CAPACITY IS NOT THERE. YOU CAN'T
20 HAVE ACCESS TO MY INSIDE WIRE THROUGH THIS BOX THAT
21 BELLSOUTH WANTS TO LEAVE ON MY HOUSE, SO YOU'RE GOING TO
22 PUT ANOTHER BOX ON THERE AND IT STARTS TO BECOME, FROM THE
23 CONSUMER'S STANDPOINT, ONE OF THOSE "IS THIS REALLY
24 REASONABLE, IS THIS WHAT THE ACT REALLY CALLED FOR, FOR ME